

**FOR
AGENDA**

EBS/02/54
Correction 1

CONFIDENTIAL

April 3, 2002

To: Members of the Executive Board

From: The Secretary

Subject: **Cape Verde—Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility**

The attached corrections to EBS/02/54 (3/22/02) have been provided by the staff:

Page 27, Figure 1: The vertical line representing the month in which the Cape Verde escudo was pegged to the Portuguese escudo should read July 1998.

Page 28, Table 1, stub Disbursements, last column: for “1.23” read “1.26”
stub of which: Poverty Reduction and Growth Facility,
last column: for “1.23” read “1.26”
stub Total Fund credit outstanding (end of period): figures revised
stub PRGF: figures revised
stub Total Fund credit outstanding (end of period): figures revised
stub PRGF disbursements: figures revised

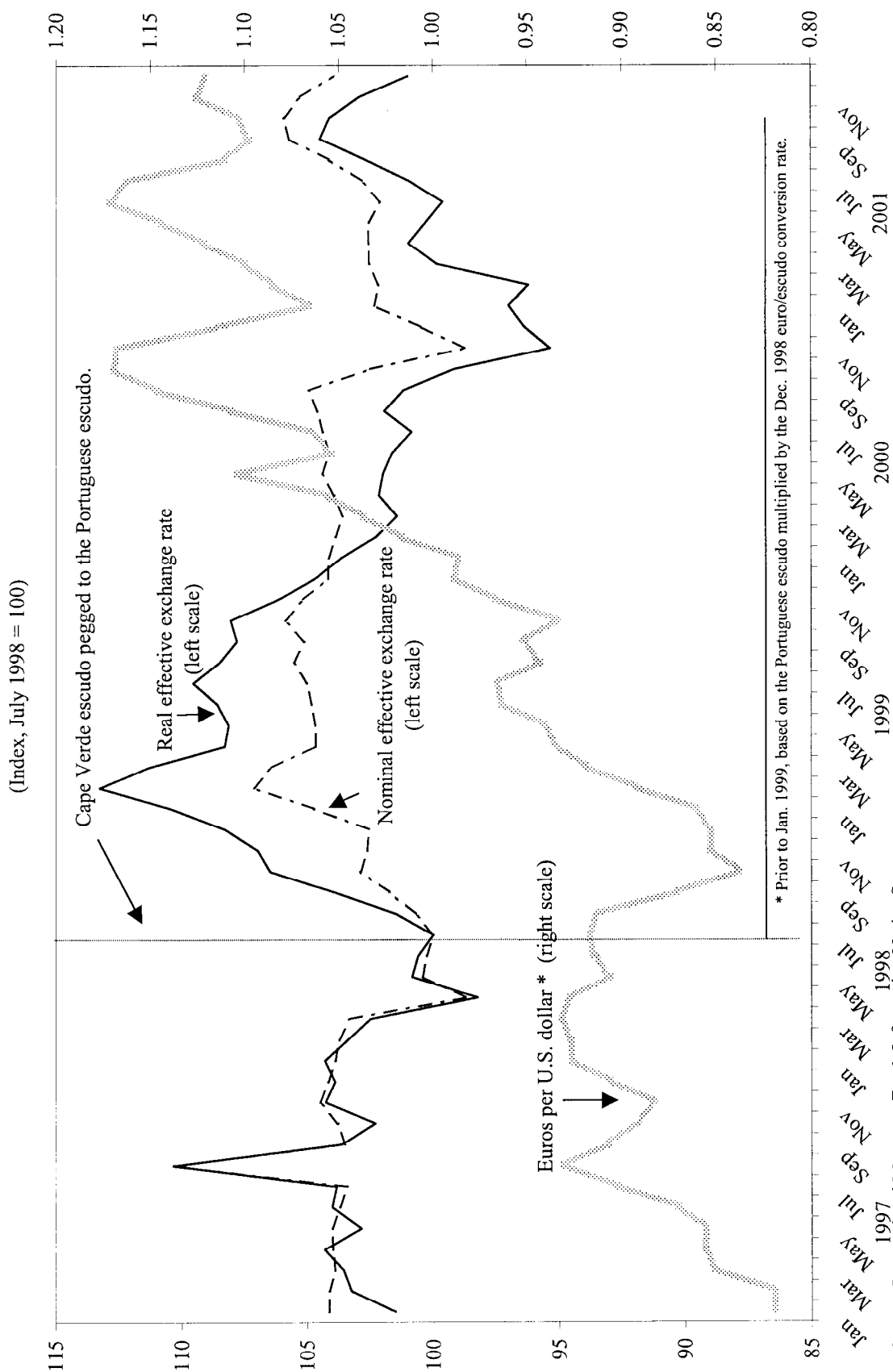
Page 29, Table 2, row 1, last column: for “SDR 1.23 million” read “SDR 1.26 million”

Questions may be referred to Mr. G. Moser, AFR (ext. 37713) and Mr. T. Roy, AFR (ext. 35338).

Att: (3)

Other Distribution:
Department Heads

Figure 1. Cape Verde: Real and Nominal Effective Exchange Rates, January 1997-December 2001



Source: International Monetary Fund; Information Notice System.

Table 1. Cape Verde: Fund Position During the Period of the PRGF Arrangement, April 2002 - April 2005

	Outstanding on Dec. 31, 2001	2002		2003		2004		2005 June
		June	Dec.	June	Dec.	June	Dec.	
(In millions of SDRs)								
Disbursements		1.23	1.23	1.23	1.23	1.23	1.23	1.26
<i>of which:</i> Poverty Reduction and Growth Facility		1.23	1.23	1.23	1.23	1.23	1.23	1.26
Repurchases/repayments		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ordinary resources		0.00	0.00	0.00	0.00	0.00	0.00	0.00
PRGF		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Charges and interests		0.01	0.01	0.02	0.02	0.02	0.03	0.03
Ordinary resources		0.00	0.00	0.00	0.00	0.00	0.00	0.00
PRGF		0.00	0.01	0.01	0.01	0.02	0.02	0.02
SDR charges		0.01	0.01	0.01	0.01	0.01	0.01	0.01
Total Fund credit outstanding (end of period)	0.00	1.23	2.46	3.69	4.92	6.15	7.38	8.64
Ordinary resources	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PRGF	0.00	1.23	2.46	3.69	4.92	6.15	7.38	8.64
(In percent of quota, unless otherwise specified)								
Total Fund credit outstanding (end of period)	0.0	12.8	25.6	38.4	51.3	64.1	76.9	90.0
PRGF disbursements		12.8	12.8	12.8	12.8	12.8	12.8	13.1
Repurchases/repayments		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges and interests		0.1	0.1	0.2	0.2	0.3	0.3	0.3
Debt service (in percent of exports of goods and nonfactor services)		...	0.02	...	0.03	...	0.04	...

Sources: International Monetary Fund, Treasury's Department; and staff projections.

Table 2. Cape Verde: Proposed Schedule of Disbursement Under the PRGF Arrangement

Amount	Available Date	Conditions Necessary for Disbursement 1/
SDR 1.23 million	approval date	Executive Board approval of the three-year annual arrangement.
SDR 1.23 million	November 1, 2002	Observance of the performance criteria for June 30, 2002 and completion of the first review under the arrangement.
SDR 1.23 million	March 16, 2003	Observance of the performance criteria for December 31, 2002 and completion of the second review under the arrangement.
SDR 1.23 million	September 15, 2003	Observance of the performance criteria for June 30, 2003 and completion of the third review under the arrangement.
SDR 1.23 million	March 16, 2004	Observance of the performance criteria for December 31, 2003 and completion of the fourth review under the arrangement.
SDR 1.23 million	September 15, 2004	Observance of the performance criteria for June 30, 2004 and completion of the fifth review under the arrangement.
SDR 1.26 million	March 16, 2005	Observance of the performance criteria for December 31, 2004 and completion of the sixth review under the arrangement.

Source: International Monetary Fund.

1/ Other than the generally applicable conditions under the Poverty Reduction and Growth Facility (PRGF) arrangement.

Table 3. Cape Verde: Selected Economic and Financial Indicators, 1999-2004

	1999	2000	2001 SMP	2001 Est.	2002	2003 Prog.	2004
(Annual percentage change, unless otherwise specified)							
National income and prices							
Real GDP	8.6	6.8	3.3	3.0	2.5	3.5	4.5
Real GDP (per capita)	6.8	4.6	1.1	0.8	0.3	1.3	2.2
Consumer price index (annual average)	4.4	-2.4	5.0	3.7	3.0	2.5	2.3
Consumer price index (end of period)	-1.5	-1.1	9.0	4.5	2.9	2.6	2.3
External sector							
Exports 1/	14.8	29.6	17.2	18.6	-4.0	3.6	7.7
Imports 1/	19.1	14.3	-3.2	-0.5	2.5	-1.3	2.6
Real effective exchange rate (annual average)	5.6	-7.4	...	0.3	...	...	...
Terms of trade (minus = deterioration)	0.0	-6.0	-1.5	-0.6	-0.2	-0.9	-0.3
Government budget							
Total revenue (excluding grants)	22.7	6.7	3.0	16.1	3.6	7.8	8.6
Total expenditure and net lending	21.9	24.5	-30.2	-37.8	17.9	5.0	4.2
Recurrent expenditure	33.8	20.5	-18.9	-15.8	6.1	3.8	2.4
Capital expenditure and net lending	-11.7	-2.9	-14.6	-53.0	70.2	8.0	8.9
Money and credit (in percent of opening-period M2) 2/							
Net domestic assets	7.3	15.8	5.6	3.9	5.4	...	...
Of which: net claims on the central government	-20.9	11.1	3.1	-0.2	1.7	...	...
Credit to the economy	7.6	1.6	4.1	6.9	3.6	...	...
Broad money	15.2	13.2	6.3	9.7	6.5	...	...
Velocity (GDP/M2)	1.75	1.65	1.62	1.59	1.57	...	...
Discount rate (in percent) 3/	8.5	9.5	11.5	11.5	...	...	...
(In percent of GDP)							
Saving-investment balance							
Gross domestic investment	22.8	21.7	17.0	20.3	21.0	21.5	22.5
Public	6.1	5.5	4.4	2.4	3.9	3.9	3.9
Private	16.7	16.2	12.6	17.9	17.1	17.6	18.6
Gross national savings	7.9	6.1	9.4	10.0	9.7	13.7	16.9
Of which: public sector	2.9	-3.3	0.5	0.8	2.3	3.4	5.0
External current account (incl. official transfers)	-14.9	-15.6	-7.5	-10.4	-11.3	-7.8	-5.6
Government budget							
Total revenue (including grants)	27.7	26.1	24.4	23.2	25.9	26.5	26.9
Total expenditure and net lending	38.7	45.0	29.3	26.1	28.9	28.3	27.4
Total grants	7.2	5.6	4.8	1.1	3.7	4.1	4.3
Overall balance after grants	-11.0	-18.9	-4.9	-2.9	-2.9	-1.8	-0.5
Domestic bank financing	1.3	8.1	1.9	-0.1	1.1	0.3	0.0
Domestic public debt, net 4/	19.9	25.7	24.2	24.1	...	...	...
External current account (excluding official transfers)	-21.1	-20.4	-11.1	-11.0	-14.1	-11.1	-9.2
Overall balance of payments	8.5	-8.4	2.6	4.5	-1.8	-1.4	-0.9
Total external public debt (end of year; including Fund)	52.6	55.3	55.5	62.2	60.7	59.2	56.9
(In millions of U.S. dollars, unless otherwise specified)							
External current account (after grants)	-87.5	-87.2	-41.6	-57.6	-68.1	-51.6	-39.8
Total external public debt (end of period)	295.4	301.3	346.7	345.7	366.7	390.8	403.3
External arrears (public sector; end of period)	3.8	27.8	17.9	15.3	0.0	0.0	0.0
Gross international reserves (end of period)	43.5	28.2	29.2	41.9	48.1	55.2	62.8
Gross international reserves (in months of imports of goods and services)	1.6	1.1	1.1	1.6	1.7	2.0	2.2
External debt service (in percent of exports of goods and nonfactor services)	35.2	32.0	24.3	22.0	17.5	17.4	18.3
Memorandum items:							
(In units specified)							
Nominal GDP (in billions of Cape Verde escudos)	60.4	64.7	69.5	69.5	74.0	79.2	85.1
Nominal GDP (per capita, in U.S. dollars)	1,367	1,271	1,239	1,239	1,317	1,408	1,481
Exchange rate (Cape Verde escudos per U.S. dollar; period average)	102.7	115.9	125.0	123.2	...	...	...

Sources: Cape Verdean authorities; and staff estimates and projections.

1/ Exports and imports of goods and nonfactor services.

2/ Reflects revised presentation consistent with the Central Bank of Cape Verde.

3/ Lending rate.

4/ Excluding the claims on the offshore Trust Fund.